

## **SMEs Internationalization and Individual Entrepreneurial Intention: Asian Countries GEM-based Empirical Analysis**

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### **Abstrak**

Pesatnya penyebaran teknologi informasi, sebagai akibat dari globalisasi dan peningkatan pesat dalam produk dan layanan Usaha Kecil dan Menengah (UKM), telah menyebabkan hilangnya batas-batas antarnegara. Penelitian dari Amerika Serikat dan negara-negara Uni Eropa berkontribusi pada literatur tentang internasionalisasi perusahaan. Sebaliknya, hanya sedikit penelitian yang dilakukan di negara-negara Asia. Tujuan dari penelitian ini adalah untuk menguji apakah intensi kewirausahaan, termasuk kontrol perilaku yang dirasakan, peluang yang dirasakan, dan norma subyektif berdampak pada internasionalisasi usaha kecil secara berbeda di negara-negara Asia dibandingkan dengan sampel Global Entrepreneurship Monitor (GEM) yang lengkap. Studi ini menggunakan data dari Survei Populasi Dewasa yang dilakukan di negara-negara yang menghasilkan data lintas negara. Model regresi binomial logit digunakan untuk memeriksa data. Temuan ini mengkonfirmasi bahwa di negara-negara Asia, niat kewirausahaan individu, yang terdiri dari inovasi, aktivitas karyawan wirausaha, kemampuan yang dirasakan, dan peluang yang dirasakan, memiliki hasil yang signifikan terhadap kemungkinan Internasionalisasi UKM. Oleh karena itu, pengusaha yang memiliki praktik inovasi yang lebih tinggi tahu bagaimana melakukan kegiatan yang berhubungan dengan kewirausahaan, tahu bahwa mereka memiliki keterampilan dan pemahaman yang mereka butuhkan untuk memulai usaha kewirausahaan mereka dan mengenali peluang terbaik di pasar untuk meluncurkan usaha kewirausahaan mereka memiliki peluang yang lebih tinggi untuk membuat perusahaan mereka menjadi perusahaan internasional.

**Kata Kunci:** *Negara-negara Asia; Intensi Kewirausahaan; Global Entrepreneurship Monitor; Internasionalisasi UKM*

### **Abstract**

The rapid prevalence of information technologies due to globalization and the rapid increase in Small and medium-sized enterprises' (SMEs) products and services has led to the disappearance of the borders between countries. Research from the U.S. and Western E.U. countries mainly contributes to the literature on the internationalization of companies. In contrast, few types of research are carried out in Asian countries. This paper examines whether entrepreneurial intention, including perceived behavioral control, perceived opportunities, and subjective norms, impacts small business internationalization. Comparing Asian countries to the entire Global Entrepreneurship Monitor (GEM) sample, entrepreneurs behave differently in Asia. This cross-country analysis utilizes data from the Adult Population Survey - GEM conducted in multiple countries. A binomial logit regression method has been applied to the data for analysis. The results confirm that in Asian countries, the individual entrepreneurial intention, which consists of innovation, entrepreneurial employee activity, perceived capability, and perceived opportunity, significantly affects SMEs' Internationalization likelihood. Therefore, entrepreneurs with higher innovation practices know how

to do entrepreneurship-related activities, know they have the skills and understanding they need to start their entrepreneurial venture, and recognize the best opportunities on the market to launch their entrepreneurial venture and have a higher chance to make their firms internationalized.

**Keywords:** *Asian countries; Entrepreneurial Intention; Global Entrepreneurship Monitor; SMEs Internationalization formatting.*

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## INTRODUCTION

Over the last quarter of a century, market liberalization and globalization dominated the world economy. One of the impacts of globalization is that ventures are now taking steps by internationalizing their market (Chen, Saarenketo, & Puumalainen, 2018). The trend towards integration and inter-relationships in the international economy, affecting the internationalization of small and medium-sized enterprises (SMEs), is increasing. While numerous studies have analyzed SME's internationalization literature to date, a complete understanding needs to be developed in many dimensions, as this literature is relevant to international companies and academic researchers (Ribau, Moreira, & Raposo, 2018). Because of its significant position in the international trade of nations, small and medium-sized firms are regarded as central economic actors and thus have grown into an attractive area of study by scholars.

In contrast, the internationalization of small and medium-sized businesses has mainly been studied in the marketing literature and still lacks a connection the internationalization with management and organization context (Kunday & Şengüler, 2015). World Trade Organization (WTO) stated that common goods production networks are still growing, with developing economies playing an increasingly important role, and Asian economies have been significant players in global supply chains. In 2018, Asia's large shares in world exports and imports of goods exceedingly influenced global trade growth in this region. Asia's exports worth US\$ 6.91 trillion equal 34 percent share, while its imports worth US\$ 6.76 trillion equal 33 percent of the world (WTO, 2019). However, there was little research in the context of Asian countries' internationalization SMEs compared to American and European countries despite their significant share in the trade sector (Khursheed, Mustafa, Fatima, & Siddique, 2019; Kunday & Şengüler, 2015). Besides, several Asian countries are "emerging" markets that deliver a natural curiosity for researchers to study (Peng, 2003) and in which export businesses make a significant contribution to economic growth (Clerq, Hessels & van Stel, 2008). Therefore, there is a need for more research on SME internationalization in Asian countries.

Small enterprises and entrepreneurs are essential to advancing innovation, economic development, and the rising employment rate. In 2014 59.3 million SMEs accounted for 58.75% of enterprises worldwide; 98.75% were micro-businesses, 1.15% for small businesses, and 0.1% for medium-sized businesses (Organization for Economic Co-operation and Development [OECD], 2018). In terms of internationalization, SMEs cannot be separated from their competencies to become an entrepreneur because internationalized SMEs are influenced by how entrepreneurs act intentionally as the predecessor of their behavior (Alayo, Maseda, Iturralde, & Arzubiaga, 2019; Koe, 2016). In order to develop new entrepreneurs, understanding what makes an individual an entrepreneur is essential.

Entrepreneurship is a dynamic mechanism requiring entrepreneurial action and cognition (Hisrich, Peters, & Sheperd, 2013). One of the individual competencies affecting entrepreneurial action is entrepreneurial intention because entrepreneurship combines intentional and planned behavior (Hisrich et al., 2013; Koe, 2016).

Not everyone can be a successful entrepreneur, even if the government supports them with funding, physical infrastructure, and business advisory (Koe, 2016). This became an issue when they established their venture and tried to internationalize it; however, understanding entrepreneurial intention can be regarded as the primary initial step in developing entrepreneurial activity and business, including internationalization (Khursheed et al., 2019). The study of SMEs' internationalization mainly discussed macro-level drivers such as education level, innovation competence, technological newness, regulative institution, and competitor's existence (Amorós, Basco, & Romani, 2016; Li, 2018; Pinho, Martins, & Soares, 2018), therefore need more research about entrepreneurial intention and its relationship with SMEs' internationalization. This research provides the pertinent body of literature in that it compares the impact of the abovementioned factors with the internationalizing of SMEs by analyzing Asian states with their internationalization from Global Entrepreneurship Monitor (GEM/[www.gemconsortium.org](http://www.gemconsortium.org)) sample data. GEM itself is the global leader in the study of entrepreneurial activity of nations. It has built a significant scale to collect international data to study entrepreneurship. International institutions such as World Economic Forum, United Nations, and the World Bank have utilized it as a rich and pertinent source of information (Pinho et al., 2018). From that abovementioned phenomenon, we tried to answer the research question: "What is the relationship between entrepreneurial intention and its internationalization likelihood in the Asian context?". Entrepreneurship and Internationalization

International expansion of the business can be defined as an enterprise that exploits business growth in overseas markets (Santos-Alvarez and Garcia-Merino 2010). International business research explains the reasons behind developing internationalizing firms to identify characteristics between international and non-international new firms (Taylor and Jack 2013). Today's business opportunities and accomplishments also rely on the expected outcome of innovation, and internationalization is part of the innovation process (Zucchella and Siano 2014). In recent decades, extensive debate has been over the search for critical factors in small businesses' internationalization (Ruzzier, Hisrich, & Antonrich, 2006). Three significant factors affect small and medium-sized enterprises (SMEs); individual, organizational, and environmental (Amorós et al., 2016). This study focuses on individual factors as entrepreneurial intention becomes why entrepreneurs start and develop their businesses.

Shane and Venkataraman (2000) stated that the core of entrepreneurial activity reflects a person's capacity to recognize and maximize an opportunity. It also involves the discovery phase, business assessment, utilization of the resources to create innovative goods and services, management, marketing, and operational activities. Opportunity-driven entrepreneurial zeal associated with individuals endeavoring to capitalize on emerging market prospects is focused on an individual's need for flexibility and improved profits relative to, for example, becoming an employee. Opportunities-based preferences can drive entrepreneurs to aggressively pursue opportunities in local and global markets. On the opposite side, necessity-based entrepreneurial inspiration is connected to people seeking to avoid unfavorable circumstances, such as lack of an acceptable position in the world of work or becoming unemployed, as entrepreneurship is the only choice for survival

(Shane and Venkataraman, 2000; Bosma, 2008); therefore, this style of entrepreneurship may be synonymous with unproductive entrepreneurial behavior and sometimes likened as an informal economy (Baumol, 1968).

Entrepreneurship is a dynamic process with multiple steps, including creating an entrepreneurial purpose (Hisrich et al., 2013). The first step in becoming an entrepreneur is demonstrating an interest in entrepreneurial activity, known as Entrepreneurial Intention (E.I.). It is also assumed that entrepreneurial purpose precedes any entrepreneurial action and is a strong indicator of entrepreneurship. (Bird, 1988). Individuals can only venture into entrepreneurship if they show a reasonable degree of purpose for entrepreneurship. Moreover, it is valuable when investigating E.I. since it is a trustable forecaster of entrepreneurial behavior and is hard to measure actual entrepreneurial behavior (Wu, 2010).

### **Innovation and SMEs Internationalization**

Various abilities and expertise can be gained by internationalization and are, in effect, pushing innovation. Internationalization allows, among other items, to create and raise capital, facilitating innovation (Kafouros et al. 2008). Because highly internationalized businesses have worldwide market access, it is possible to procure critical R&D services from the cheapest accessible outlets and have their R&D and other divisions in the most efficient areas (Kafouros et al., 2008). Besides, businesses can acquire different competencies through inter-nationalization through supervision, expertise transfer, and experience integration (Genc, Dayan, & Genc, 2019).

Besides, internationalization increases the market and sales value, allowing firms to devote more research and development capital. In other words, R&D can be spread over a greater sales volume, which is a fixed cost. This provides more opportunities for R&D and promotes innovation and productivity. Moreover, inter-nationalization forces companies to meet various customer needs and wishes and compete with their competitors' successful products, also becoming a driving force for innovation (Cloudt, Hagedoorn & Van Kranenburg, 2006). Therefore, we generate hypothesis 1:

**H1:** Asian entrepreneurs' innovation capability will have a positive influence on the internationalization of their SMEs

### **Entrepreneurial Employee Activity and SMEs Internationalization**

Entrepreneurship can be defined as exploring, assessing, and exploiting opportunities for the creation by individuals of future goods and services (Shane and Venkataraman, 2000). In general, exploration involves experimentation and analysis, whereas exploiting involves a chosen route to be applied and implemented (Cheng & Van de Ven, 1996; March 1991). In the context of entrepreneurial activity, Yeganegi et al. (2018) define exploration as developing new ideas (including activities such as looking for and brainstorming new ideas) while exploiting and implementing new activities (including marketing, financial resources, and the formation of a team).

Through organizations, exploration and exploitation are sometimes segregated using dual structures (structural ambidexterity) so that both actions can occur without too much dispute. In these organizations, people are sometimes put in silos, either in an explorative or exploitative division; the majority of regulation is directed by top management within the two divisions (Lubatkin et al., 2006; Smith & Tushman, 2005). Lavie, Stettner, and Tushman (2010) suggest that, in the context of innovation, exploration, and exploitation, there may be successive stages in which exploitation follows exploration

as the phases in which ideas are developed and implemented in organizations. As we stated in the previous section that innovation could foster SMEs' internationalization; therefore, we generate hypothesis 2:

**H2:** Asian entrepreneurs' entrepreneurial employee activity will have a positive influence on the internationalization of their SMEs

### **Perceived Capacity and SMEs Internationalization**

Without entrepreneurial intention (E.I.), there is not much potential for entrepreneurial activity. (Gorgievski, Ascalon, & Stephan, 2011). The E.I., therefore, plays an important part in understanding the entire process of entrepreneurship, as the E.I. provides a foundation for the resulting behavior that is linked to organizational growth. In the light of the Theory of Planned Behavior (TPB), there are three causal factors to E.I.: subjective norms (S.N.), personal attitudes (P.A.), and perceived behavioral control (PBC) (Ajzen, 1991; Ajzen, 1988). A wide range of irrelevant factors, such as the availability of incentives and financial assistance (Lumpkin & Dess 2001), are the key factors contributing to actual entrepreneurial actions. According to the TPB, three antecedents described by the E.I. perceived behavioral control (PBC) define the apparent complexity or ease of any entrepreneurial activity and perception of behavioral control. Subjective norm (S.N.) defines the presumed societal constraint or permission to carry out an entrepreneurial project or not to do so. Personal attitude towards entrepreneurship (P.A.) refers to the degree to which a person has a favorable or resentful appraisal or evaluation of entrepreneurial activity (Linan & Chen, 2009). One of the major elements included in PBC is Perceived Capability (P.C.), defined as the skills and understanding required to release their entrepreneurial venture (Khurseed et al., 2019). It was also proven that capability perception is enhanced by creative and entrepreneurial endeavors. Therefore, we generate hypothesis 3:

**H3:** Asian entrepreneurs' perceived capability will have a positive influence on the internationalization of their SMEs

### **Perceived Opportunity and SMEs Internationalization**

Amorós et al. (2016) stated that "international competitiveness readiness" covers various aspects, including product innovation, rivals selling the same goods and services, technical advancement, and opportunities' perception. Because it provides a lasting edge over the competition, innovation is crucial for companies looking to expand internationally, enabling productivity improvements, accelerating growth, and facilitating internationalization at a very early stage of the venture (Knight and Cavusgil, 2004).

Previous research conducted by Khursheed et al. (2019) explained that the theory of planned behavior (TPB), which consists of perceived behavioral control and subjective norms, is confirmed as the root of entrepreneurial activity and the key to economic growth. Koe (2016) mentioned that an entrepreneurial orientation of proactiveness, risk-taking, and inovativeness positively influences entrepreneurial intention. Alayo et al. (2019) defined that entrepreneurial orientation positively impacts internationalized family SMEs, and Pinho et al. (2018) confirmed that perceived opportunity positively impacts internationalized businesses. Therefore, we generate a hypothesis:

**H4:** Asian entrepreneurs' perceived opportunity will have a positive influence on the internationalization of their SMEs

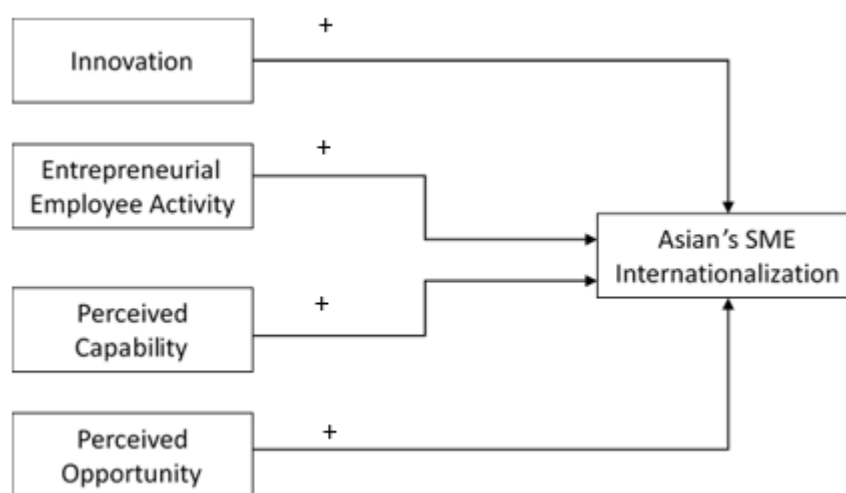


Figure 1. Research Framework

## METHODOLOGY

The data included in this study were extracted from the Adult Population Survey published by the Global Entrepreneurship Monitor (GEM). GEM is a joint initiative undertaken by Babson College and London Business School, explained by several "global teams" across the globe. This study is performed by private sector polling firms in each nation based on a representative population of at least 2,000 people (18–64 years of age) to identify and evaluate entrepreneurial enterprise and their structure in many nations (Muñoz-Bullón, Sánchez-Bueno, & Vos-Saz, 2015; Reynolds et al., 2005). The GEM implementation plan listings from individuals involved in various phases of entrepreneurial dynamics, includes, for example, start-up,<sup>i</sup> entrepreneurs (i.e., people involved in creating firms), new firms, and established firms. GEM database is also well-tailored to our research as it is a robust repository of knowledge that allows us to examine and appreciate the international activity of small companies across the globe (Pinho et al., 2018; Reynolds et al., 2005). The empirical analysis of this study only includes GEM countries in Asia that were collected in 2016 (Malaysia, Indonesia, Thailand, Korea, China, India, Iran, Hong Kong, Taiwan, Lebanon, Jordan, Kazakhstan, Saudi Arabia, United Arab Emirates, and Qatar). The structure used in this research, along with their measurements, is detailed below:

### Independent Variables

1. In the light of existing literature, perceived behavior control (PBC) and subjective norms (S.N.) is considered an antecedent of E.I (entrepreneurial intentions). In this research, the effect of S.N. on entrepreneurial intention is measured using the following two elements; Innovation: This measure includes the number of individuals who are at the beginning stage of entrepreneurship and who say that their services or products are novel to at least specific customers. Few or no businesses offer the same product or service (0 = No, 1 = Yes).

2. Entrepreneurial Employee Activity (EEA): The value of this metric is the participation rate of employees in entrepreneurship-related activities, such as the production of new products or services. 1 = Yes, 0 = No)

3. Following the theory of planned behavior, a person's entrepreneurial intentions are recognized by his or her attitude towards a specific phenomenon, such as subjective norms and perceived behavioral control. By considering this dimension, we have

included in this paper perceived behavioral influence by adding the factor Perceived Capability (P.C.). This variable evaluates the percentage of people between 18 and 64 who know they have the skills and understanding they need to start their entrepreneurial venture. Both elements have been evaluated using binary variables (0 = No, 1 = Yes)

4. Perceived opportunity (P.O.): This metric assesses the proportion of people who are aware of the most promising business possibilities. They are between the ages of 18 and 64. As a binary variable, this characteristic is scored as either 1 (individual recognition chances) or 0 (no such opportunities).

### Dependent Variable

Dependent Variable: Internationalisation. Our study focuses on internationalization in line with previous research (Muñoz-Bullón et al., 2015). Therefore, we include a dummy variable that takes a value of 1 when the enterprises have at least 1% of revenue from the outside country), and 0 otherwise.

Since our dependent variable is binary, implying whether or not an internationalized SME, we used a logistic regression model to test the hypothesis (Hoetker 2007). This approach aligns with our goal of contrasting internationalization and non-internationalization undertakings. Multicollinearity may be tested using variance inflation factors (VIF). None of the VIF scores came close to the threshold of 10 typically used to flag multicollinearity issues (Lin and Liu 2012).

## RESULTS AND DISCUSSION

The list of countries and the sample size of this research are shown in Table 1. As shown in Table 2, no multicollinearity is detected since none of the values of VIF (Variance inflation factors) is below 10. Table 4 shows the effects of logistic regressions for testing the relationship between the variables representing entrepreneurial intention (innovation, entrepreneurial employee activity, perceived capability, and perceived opportunity) and the probability of internationalizing the enterprises. As can be observed, all the dependent variables have positive values, which means that entrepreneurial intention (innovation, entrepreneurial employee activity, perceived capability, and perceived opportunity) has a positive impact on increasing SMEs' internationalization likelihood. Table 3. Shows the goodness-of-fit of this data. The Hosmer-Lemeshow test shows a value of 20.598, which has a significance of 0.002 since the significance value  $< 0.05$ ; it means that the model is fit to predict the result.

**Table 1.** List of Countries

Countries	n
Malaysia	11
Indonesia	48
Thailand	18
Korea	21
China	19
India	25
Iran	10
Hong Kong	28
Taiwan	32
Lebanon	31

Jordan	24
Kazakhstan	30
Saudi Arabia	40
United Arab Emirates	30
Qatar	30
Turkey	28
<b>TOTAL</b>	<b>425</b>

**Tabel 2.** Collinearity Statistics

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.170	.056		3.062	.002		
innovation	.147	.048	.141	3.032	.003	.977	1.024
entrepreneurial activity	.156	.051	.143	3.029	.003	.941	1.063
opportunity	.163	.050	.160	3.286	.001	.892	1.121
capability	.151	.045	.161	3.372	.001	.925	1.081

a. Dependent Variable: internationalization

**Table 3.** Hosmer & Lemeshow Test

Step	Chi-square	df	Sig.
1	20.598	6	.002

**Table 4.** Logistic Regression Test

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup> opportunity	.705	.220	10.265	1	.001	2.023
capability	.663	.203	10.632	1	.001	1.940
entrepreneurial_activity	.697	.232	9.025	1	.003	2.007
innovation	.670	.223	9.000	1	.003	1.954
Constant	-1.464	.267	30.015	1	.000	.231

a. variable (s) entered on step 1: opportunity, capacity, entrepreneurial\_activity, innovation.

In foreign markets, companies face more competitive and unpredictable conditions (O'Grady & Lane, 1996). The complexity and variety help companies better grasp the discrepancies between consumers' preferences and, as a result, become more market-oriented. Many market-oriented companies have been more inclined to innovate (Küster & Vila, 2011); therefore, hypothesis 1 is supported. Entrepreneurship employee activity and positive perceptions of the person's capabilities increase SMEs' internationalization, and this finding is also validated by previous researches (Hamidi et al., 2008; Kuratko, 2005). Our findings suggest that an entrepreneur with good potential to identify business opportunities will have more control over his actions and more significant opportunities to internationalize the company. This result is consistent with previous research showing a constructive correlation between the elements (Ajzen & Madden, 1986; Ajzen, 1991). Therefore, hypothesis 2, hypothesis 3, and hypothesis 4 are supported.

The results show that entrepreneurial employee activity, innovation, perceived capability, and perceived opportunity positively and significantly influence internationalized SMEs in Asian countries. Therefore, our findings confirm that Asian people have higher innovation practice, higher entrepreneurial activity, higher perceived opportunity, and higher perceived capability, simultaneously increasing the likelihood of

internationalizing their enterprises, and this result is also validated by previous researches (Alayo et al., 2019; Genc et al., 2019; Khursheed et al., 2019; Kunday & Şengüler, 2015; Muñoz-Bullón et al., 2015). This is also linear with what Pinho et al. (2018) did, even though their older dataset uses different countries. This shows that the result of SMEs' internationalization likelihood remains the same as time passes.

## CONCLUSION

Our findings confirm that in the Asian context, the individual entrepreneurial intention, which consists of innovation, entrepreneurial employee activity, perceived capability, and perceived opportunity, favors a firm to internationalize it. Therefore, entrepreneurs with higher innovation practices know how to do entrepreneurship-related activities, know they have the skills and understanding they need to start their entrepreneurial venture, and recognize the best opportunities on the market to launch their entrepreneurial venture and have a higher chance to make their firms internationalized.

This research adds a variety of topics to the previous literature and has significant practical implications. First, the decision to internationalize has generally benefited European and U.S. businesses with capital to compete in global markets (Kunday & Şengüler, 2015). This shows that Asian countries which lead the trade sector as the main exporter are also worth investigating, and this research proves that Asian countries have robust internationalization according to individual entrepreneurial intention. The second implication is that our findings have ramifications for policymakers as well. The positive impact on exports is on the need for individual entrepreneurs to adopt proactive and innovative economic policies or encourage public support in order to allow these entrepreneurs to meet higher demand for their goods abroad, mainly when the domestic market is saturated or inadequate.

Three limitations should be acknowledged concerning this study's outcome, contributing to future studies. First, in a relatively short period, this report analyses E.I. in the Asian context because of its cross-sectional analysis. Because of changing economic conditions, E.I. is also not constant over time. As such, to examine the progression of E.I. in the Asian context over time, it would be essential to observe our research in a longitudinal time frame. Furthermore, the degree to which E.I. results in the Asian context in developing new enterprise undertakings should be examined, and crucial factors can be identified. Moreover, the last limitation is that this research only uses secondary data; the data reliability is questionable as the questionnaire asked on the data set may differ from the researcher's objective. Therefore, need more research about internationalization from the primary data source.

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